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# Cost effectiveness comes to the personnel function

*Introducing systematic project evaluation in the personnel department is one company's answer to the productivity problem*

## Foreword

The combined impact of the recent economic recession and increased worker alienation has intensified top executives' efforts to bolster manpower productivity. In most organizations where manpower is the largest cost element, productivity increases resulting from more effective and relevant personnel action programs can have significant impact on revenue and profits. Yet the personnel department, while most directly involved with such efforts, is too often stymied in undertaking them, either because of inadequate staff, inability to channel its resources toward the most desirable undertakings, or inability to gain top management commitment. As a result, argues this author, key profit opportunities are lost. Capitalizing on such opportunities, he maintains, requires that decision makers continually answer this important question: "How can we best allocate our scarce resources toward the most cost-effective undertakings?" The Xerox Corporation has developed an approach

that permits management to objectively resolve this issue and, in so doing, to weed out marginal efforts while concentrating on those that are necessary or desirable. The technique, first successfully utilized in late 1971 in developing the company's long-range manpower strategy, was subsequently used to develop operating budgets for selected personnel units throughout the organization.

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**B**usiness and government leaders are increasingly concerned over what has come to be called the "productivity crisis." A host of economic ills are ascribed to it—squeezed profit margins, moderating revenue growth, inflation, economic sluggishness, and the evaporation of the U.S. balance-of-trade surplus. Moreover, some disturbing figures underscore this concern:

◇ After averaging gains of 3% a year between 1950 and 1965, the U.S. productivity growth rate dropped to a 2.1% annual average between 1965 and 1970. Had the latter rate prevailed during the entire postwar period, the improvement in U.S. living standards would have been reduced by 30%.

◇ While the 1971 productivity rate jumped

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sharply by about 4%, this recovery-year improvement compares unfavorably with the 4.5% gain of 1955 and the 4.7% gain of 1962.

◊ For the long term, a well-publicized Bureau of Labor Statistics estimate forecasts a net potential decline of 0.2% in the rate. Translated into dollars, this could represent a \$120 billion reduction of economic output in the 1970's.

Aware of the need for a substantial increase in productivity growth rates, business and labor leaders have been turning with increasing frequency to such techniques as job enrichment and redesign, group incentive pay plans, manpower planning for adjustment and upward mobility, and joint, labor-management productivity teams at the plant level.

Clearly, the primary responsibility for developing such manpower-related programs falls within the charter of the personnel department. Yet, while many techniques are being implemented, the overall effort to improve productivity in most companies appears to be only marginally successful. More often than not, this lack of success can be attributed to the personnel department itself, for these reasons:

□ In a given year, a number of proposals emanate from such varied personnel functions as employment, compensation, training, planning, and systems. At the same time, any number of outside consultants' recommendations may have to be evaluated. Unless these proposals are rigorously scrutinized, many programs having only a marginal impact on productivity may be selected. As a result, the staff becomes stretched, profits suffer, and the long-term effect is a personnel function focused on activity rather than results.

□ Because of the impact of behavioral science, personnel departments have moved increasingly in recent years into such complex and sophisticated areas as job enrichment, selection research, assessment centers, and executive career planning and development. Consequently, the problem of managing the personnel function has been compounded. Indeed, one might say that the sophistication of personnel programs has increased arithmetically, while the complexity of choosing the best ones and managing them has increased geometrically.

□ While all personnel costs are direct and visible, most benefits derived from their effective operation are indirect and often intangible. For example, the linkage between improved profits and the costs of undertaking a comprehensive

clerical job enrichment effort is elusive at best. Because of this difficulty, personnel is one of the last areas to be augmented in an economic upswing and one of the first to be trimmed in hard times. (Such management actions are particularly shortsighted. The manpower element constitutes between 40% and 70% of the total costs in most businesses. Yet personnel staff costs usually range between 1% and 2% of the payroll. The leverage implied suggests that productivity increases resulting from more effective and relevant personnel action programs can significantly impact on revenue and profits.)

Because of these and other problems, there is a clear need for personnel departments to develop the kinds of program-management techniques that will allow them to meet the productivity crisis in a direct and systematic manner. From a bewildering array of alternatives, they must be able to select the programs that will improve productivity and profits; then they must be able to continuously allocate staff resources only to those programs.

The purpose of this article is to describe a framework which top operating and personnel executives can use to channel the resources of the personnel function to the most worthwhile undertakings. This framework, first implemented at Xerox in 1971 as part of a long-range manpower planning strategy, is currently being used to develop operating budget proposals for selected personnel units throughout the company. Here are the key procedural steps that I shall discuss:

1. Define and describe each personnel program—whether proposed or ongoing—in a discrete package.
2. Separate for special treatment those programs that are legally required.
3. Evaluate all programs on the basis of these factors: (a) "state of the art," (b) ease of implementation, (c) net economic benefits, (d) economic risks of not acting.
4. Rank all programs, and allocate and deploy staff resources accordingly.

## *Developing a framework*

Our efforts to systematically evaluate and rank personnel programs began as a follow-up to a recent long-range planning cycle. The president of our business products group asked us to review our manpower requirements and to indicate

what programs were underway or were needed to ensure achievement of the plan. To accomplish this objective, we had to:

- Review our group's present and projected revenue and profit economics.

- Identify and understand the ways that major groups of employees (managers, scientists, salesmen, servicemen, clericals, and hourlies) affected our economic situation.

- Specify action programs that could increase productivity or help avoid major manpower risks and unnecessary costs.

While a discussion of how we conducted the diagnosis is beyond the scope of this article, I should note that over 120 possible program opportunities were identified. Many were already underway, some were on the drawing boards, and a few were entirely new opportunities. Given the constraints of our budget, however, it was clear that all programs could not be undertaken. Some sort of resource-allocation technique was necessary, one that would permit us to systematically sort out all the proposals as well as manage and control the implementation of the more desirable ones.

There is nothing fundamentally new about the four-part approach we developed.<sup>1</sup> For years, bankers have used systematic screening standards to evaluate credit worthiness. More recently, managers in virtually every business function other than personnel have used decision frameworks or models to assist them in selecting alternate investment or project opportunities. Usually, these techniques are quantitative; sometimes they are subjective. But in either case, they share a systems approach.

The idea, then, was to apply the systems approach and program management concepts to our personnel operations. Let us now turn to an examination of the key steps in Xerox's program management framework.

## 1. Define and describe

The first step is for each staff specialist responsible for a particular program to describe his efforts—whether ongoing or proposed—in discrete packages. He specifies the program's objectives, target population, implementation schedule, and any other considerations that might impact on the program's success. (*Exhibit I* shows a condensed form of the basic document used

1. See, for example, George R. Glaser, "Are You Working on the Right Problem?" *Datamation*, June 1967, p. 22.

in our evaluation process for all programs. It contains data on a job enrichment effort, a program that I will refer to throughout this article to illustrate our approach.)

The personnel program manager, who is responsible for coordinating the entire departmental effort, assists the staff specialist. The two work as a team, so that each individual's capabilities complement the other's. For example:

- ▽ On the one hand, the staff specialist (in the case of *Exhibit I*, a job enrichment specialist) is the most knowledgeable about the program's objectives and technical aspects, the behavioral subtleties of the target population, and the scheduling problems that might inhibit timely implementation.

- △ On the other hand, the personnel program manager can provide details on manpower levels, salaries, productivity, absenteeism and turnover rates, and spans of control, as well as the costs and profit economics implied by each.

## 2. Identify legal requirements

Many of the resources of a personnel staff must be allocated to programs required by law. Most manpower legislation and regulations have been enacted in the past decade in such areas as pension plans, minority hiring, labor relations, and wage controls. Moreover, such legal requirements will probably increase in future years, particularly among larger organizations, as the traditional economic role of business is enlarged to include a social one.

Obviously, the job enrichment program detailed in *Exhibit I* is not a statutory necessity. But other programs—in areas such as labor relations, minority relations and reporting, and payroll—clearly are legal requirements. Moreover, such programs rarely have any net economic benefit to a company; their benefits are usually intangible in nature. Yet the potential legal exposure and the consequent impact on the company image dictate a need for special treatment. Accordingly, legally required efforts are handled separately from all other proposals and assigned the highest priority. Here are just a few illustrations from the spectrum of manpower regulation:

- Reporting programs to maintain records of hours, earnings, overtime, union dues collected, and the financial health of existing or proposed pension plans.

- Affirmative action plans to hire and upgrade the skills of minority groups and women.

## Exhibit I. Program evaluation form

| 1. Define and describe the program.   | PROGRAM NAME: Service Force Job Enrichment Program   |                           |                               | Program No. 16 |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
|---|--|---------------------------|-------------------------------|----------------|------------------------|--------------------------|---------------------------|-------------------------------|---|------------|----|-----------|--|--------------|----|--------------|---|--------------|----|--------------|----------------|--------------|-----|--------------|---|--------------|----|------------|-------------|--------------|----|------------|------------------------------|--|--|--------------|
| 2. Identify and segregate legally required efforts.   | DESCRIPTION (objectives, target population, implementation schedule):<br>To extend the job enrichment program for the service force -- as piloted in Spring Falls, Avon Hills, and Maplewood branches -- to all branches between 1972 and 1976.  |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
|   | Is program legally required? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No   |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| 3. Evaluate feasibility:  | STATE OF THE ART <input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low   |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| (a) State-of-the-art implications.  | EASE OF IMPLEMENTATION <input type="checkbox"/> High <input type="checkbox"/> Medium <input checked="" type="checkbox"/> Low   |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| (b) Ease of implementation.   | ECONOMIC BENEFITS <input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low  |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| (c) Net economic benefits   | <table border="1"> <thead> <tr> <th>Identifiable benefits:</th> <th>Potential revenue impact</th> <th>Probability of occurrence</th> <th>Probable gross benefit (cost)</th> </tr> </thead> <tbody> <tr> <td>Reduction in service force turnover of 1 point.</td> <td>\$ 450,000</td> <td>.2</td> <td>\$ 90,000</td> </tr> <tr> <td>Extension of 1.2 point reduction in absenteeism, as demonstrated in pilot project.</td> <td>\$ 2,132,500</td> <td>.8</td> <td>\$ 1,706,000</td> </tr> <tr> <td>Extension of 5% increase in service force productivity, as demonstrated in initial efforts.</td> <td>\$85,500,000</td> <td>.1</td> <td>\$ 8,550,000</td> </tr> <tr> <td>Total benefits</td> <td>\$88,082,500</td> <td>.12</td> <td>\$10,346,000</td> </tr> <tr> <td>Tangible costs to Xerox of acting:<br/>Group personnel staff time to develop program, and line management time to implement program in all branches.</td> <td>(\$ 472,950)</td> <td>.9</td> <td>\$ 425,655</td> </tr> <tr> <td>Total costs</td> <td>(\$ 472,950)</td> <td>.9</td> <td>\$ 425,655</td> </tr> <tr> <td>Probable net benefits (cost)</td> <td colspan="2"></td> <td>\$ 9,920,345</td> </tr> </tbody> </table> |                           |                               |                | Identifiable benefits: | Potential revenue impact | Probability of occurrence | Probable gross benefit (cost) | Reduction in service force turnover of 1 point. | \$ 450,000 | .2 | \$ 90,000 | Extension of 1.2 point reduction in absenteeism, as demonstrated in pilot project. | \$ 2,132,500 | .8 | \$ 1,706,000 | Extension of 5% increase in service force productivity, as demonstrated in initial efforts. | \$85,500,000 | .1 | \$ 8,550,000 | Total benefits | \$88,082,500 | .12 | \$10,346,000 | Tangible costs to Xerox of acting:<br>Group personnel staff time to develop program, and line management time to implement program in all branches. | (\$ 472,950) | .9 | \$ 425,655 | Total costs | (\$ 472,950) | .9 | \$ 425,655 | Probable net benefits (cost) |  |  | \$ 9,920,345 |
| Identifiable benefits:  | Potential revenue impact   | Probability of occurrence | Probable gross benefit (cost) |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Reduction in service force turnover of 1 point.   | \$ 450,000   | .2                        | \$ 90,000                     |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Extension of 1.2 point reduction in absenteeism, as demonstrated in pilot project.  | \$ 2,132,500   | .8                        | \$ 1,706,000                  |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Extension of 5% increase in service force productivity, as demonstrated in initial efforts.   | \$85,500,000   | .1                        | \$ 8,550,000                  |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Total benefits  | \$88,082,500   | .12                       | \$10,346,000                  |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Tangible costs to Xerox of acting:<br>Group personnel staff time to develop program, and line management time to implement program in all branches. | (\$ 472,950)   | .9                        | \$ 425,655                    |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Total costs   | (\$ 472,950)   | .9                        | \$ 425,655                    |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| Probable net benefits (cost)  |  |                           | \$ 9,920,345                  |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| and intangibles.  | Intangible benefits<br>Increased morale in service force, with improved customer service and satisfaction.<br>"Contagious effect" of job enrichment to other groups, e.g., sales and clericals.<br>Improved service manager development with concurrent sharpening of their motivational skills. As an extreme example, one manager at Avon Hills increased his team's productivity 70%.   |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
| (d) Economic risks.   | ECONOMIC RISKS <input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low<br>Possible consequences of not acting:<br>Continued escalation of service costs as a percent of revenue.   |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |
|   | ASSUMPTIONS AND OTHER CONSIDERATIONS:<br>Cost estimates assume 4.4 man years of group staff time, .26 man years of branch manager time, and 15.8 man years of service manager time to implement program in a population of 1,053 service managers.<br>Benefit estimates assume elimination of 3 days absenteeism per month for each of 1,053 service teams, favorable productivity, and that turnover experience in pilot branches can be cascaded to all branches.  |                           |                               |                |                        |                          |                           |                               |   |            |    |           |  |              |    |              |   |              |    |              |                |              |     |              |   |              |    |            |             |              |    |            |                              |  |  |              |

○ Any validation efforts needed to insure that pre-employment selection tests or standards comply with the guidelines set by the federal government.

○ Programs to insure a safe work environment and to eliminate recognized hazards likely to cause death or injury.<sup>2</sup>

Having identified and segregated such legally required efforts, we are ready to focus on the heart of the process—and its most challenging aspect—the feasibility evaluation.

### 3. Evaluate feasibility

The feasibility evaluation of any program focuses on several distinct issues. These are:

*Determining the state-of-the-art requirements.* Are the necessary skills available?

*Determining the ease of implementation.* Will line management accept and execute the program?

*Determining the net economic benefits.* Will the program be cost-effective?

*Determining the economic risks.* Can the company afford not to act?

I suspect that, to one degree or another, these issues are considered intuitively by some top personnel executives. But let us now examine how each step of the feasibility evaluation is handled systematically.

*State of the art:* The resolution of this issue requires an in-depth assessment of a program's technical problems as well as the skills available within the personnel department or outside the company (e.g., consultants) needed to overcome these problems. If data processing support is necessary, programming complexity and the availability of equipment must also be determined.

In the case of the job enrichment program shown in *Exhibit I*, qualified technical talent was already available on our staff; thus we could evaluate the state of the art as "high." Three or four years ago, however, this evaluation probably would have been "medium," for we would have had to hire a qualified individual or retain an expert consultant. Ten years ago, the evaluation clearly would have been "low," since at that time job enrichment would have been a major state-of-the-art undertaking.

For comparative purposes, the technical feasibility of all programs must be consistently eval-

uated against the same standards. Part A of *Exhibit II* shows these standards, which I feel are generally applicable to most companies.

*Ease of implementation:* This is the most critical stage of the feasibility evaluation. It involves such elements as line management attitudes, corporate policies, organization structure, operating environment, and management styles. These elements are difficult to change, particularly when programs are in new areas such as job enrichment, organization development, assessment centers, and selection research.

The key to successfully implementing such advanced concepts hinges on the willingness of line management to cooperate. Reorienting personality traits and management styles (which many of the new techniques require) is more challenging than gaining acceptance of a new production process, a new marketing program, or a new billing system. Most of the latter are more tangible and can be "sold" exclusively on their economic merits. But convincing managers of the need to change their behavior is not only difficult but also crucial to program implementation. Let us see how this issue was treated in the job enrichment program:

From an earlier pilot program, we had learned that selling the concept to management was sometimes an uphill fight, and that overall cooperation could be difficult to enlist. (A number of supervisors and key line managers balked at the idea of assigning greater responsibilities to their subordinates.) But we also knew that we had won converts and thus had increased the program's credibility throughout the organization. Because of the potential resistance, however, our evaluation of the ease-of-implementation factor was a qualified "low"—a mark that injected a sobering element should the program pass its other tests and be given the green light. In other words, the program would be warranted only if the risks identified in this stage were clearly offset by exceptionally high evaluations in other stages.

Finally, as with the state-of-the-art evaluation, consistent standards must be applied when evaluating programs for ease of implementation. These standards are shown in Part B of *Exhibit II*; again, I feel they are generally applicable to most business enterprises.

2. For a more complete discussion of this subject, see Willard A. Lewis, "The Personnel Manager as Compliance Officer," *Personnel Journal*, December 1971, p. 907.

*Exhibit II. Standards for feasibility evaluation*

| Evaluation | A. State of the art  | B. Ease of implementation  |
|------------|--|--|
|            | Standards  | Standards  |
| High       | <p>Program appears simple.</p> <p>Skilled manpower available in company.</p> <p>EDP programming is simple.</p> <p>Hardware available in company.</p>   | <p>Implementing program requires little or no effort to effect a change in line management attitudes and styles, and in organization policies, structure, and operating environment.</p> <p>Implementing program does not imply a radical departure from historic company practices.</p> |
| Medium     | <p>Program appears complex.</p> <p>Skilled manpower not available in company but is available outside.</p> <p>EDP programming is difficult.</p> <p>Hardware not available in company but is on the market.</p> | <p>Implementing program requires moderate efforts to effect a change in line management attitudes and styles, and in organization policies, structure, and operating environment.</p> <p>Implementing program implies some departure from historic company practices.</p>                |
| Low        | <p>Program involves new or unfamiliar effort.</p> <p>Personnel not available on staff or outside company.</p> <p>EDP programming is very complex.</p> <p>Hardware not available.</p>                           | <p>Implementing program requires substantial efforts to effect a change in line management attitudes and styles, and in organization policies, structure, and operating environment.</p> <p>Implementing program implies a radical departure from historic company practices.</p>        |

Note: Standards for evaluation of the net economic benefits and the economic risks have not been included in this exhibit since they are not generally applicable to other companies.

*Net economic benefits:* At this stage of the evaluation, we use cost/benefit analysis, with modifications that are appropriate to the unique needs of manpower management, to determine whether a program will be cost-effective.

For the program shown in *Exhibit I*, our job enrichment specialist, assisted by the personnel program manager, identified potential benefits and costs, estimated the probable occurrence of each benefit and cost, and calculated the probable dollar impact. In this case we were fortunate. The pilot project mentioned earlier gave us quantitative data regarding job enrichment's effect on turnover, absenteeism, and productivity.

For many other programs, however, it is particularly difficult to estimate potential benefits and to establish a direct linkage between them and the programs. To overcome this problem, we estimate benefits by one of these two approaches:

1. *Identifiable benefits.* These are used whenever possible. They must be tangible and clear-

ly attributable to implementing the program. An example of an identifiable benefit is the direct savings achieved by eliminating redundant functions in a proposed reorganization.

In other cases, we contrast the cost (for value) of the existing approach with that of the proposed approach. For example, one of our employment managers felt he could achieve a significant savings by relying less on outside employment agencies. His identifiable benefit was developed using the present cost of fees paid to these agencies. The projected costs of additional staff and advertising were subtracted from this present cost to develop a net economic benefit for his proposal.

Finally, if a pilot test has been conducted on a small group of employees with favorable results, a plausible benefits estimate can be developed by projecting the savings identified in the pilot test to the entire organization.

2. *Target benefits.* These are used in the absence of identifiable benefits. In essence, they



are derived from a preliminary estimate of results to which the personnel manager is willing to commit himself, if he is given the resources to do a pilot test of his proposal. An example of a target benefit is a 1% increase in revenue or a one point decline in turnover projected for a given program.

In some cases, the personnel manager develops such estimates for each of his programs with assistance from the program manager, the controller's staff, or the long-range planning staff. In other cases, our staff managers are able to make sound cases for target benefits by consulting their colleagues in other companies or by reviewing the professional literature.

If, for some reason, management should challenge the estimated target benefit as being overly ambitious, it is critical that management should not become lost in quibbling over decimal accuracy. One must remember that this procedure is as much an exercise in allocating resources toward projects that are most likely to yield the greatest relative benefits as it is a means of committing oneself to results.

The benefits detailed for the job enrichment program in *Exhibit I* are identifiable benefits. They are based on the pilot project, and assume that the results of that effort can be extended to other locations.

Intangible benefits and risks are also described at this stage of the feasibility evaluation. While some of these items may appear to be platitudes, specifying them is nevertheless useful. When a choice must be made between two programs of almost equal merit, the intangibles—if properly framed—may become key factors that swing the decision.

*Economic risks:* In the final stage of the feasibility evaluation, we consider the economic impact of not implementing the proposal. For example, a failure to continually reevaluate the company's pre-employment selection standards could result in the hiring of more marginal employees. (The costs of subsequent declines in productivity could be estimated.) Or a failure to increase productivity could result in unacceptable costs. (This approach was used to assess the job enrichment program.)

Our standards for classifying economic risks, ranging from over \$1,000,000 for "high" to under \$100,000 for "low," are unique to our company. Other companies may have higher or lower standards, depending on their size or

industry. Banks and insurance companies, for example, would probably have substantially higher risk standards than oil or chemical companies have. (The revenues of the former are highly sensitive to payroll costs.) Similarly, service organizations, such as airlines, are more vulnerable to strike losses than are hard goods enterprises. (The latter can hedge such risks with inventory.)

#### 4. Allocate and deploy resources

After each program has been evaluated on its own merits, its overall feasibility must be determined. The decision table shown in *Exhibit III* serves as a convenient tool to accomplish this. It allows each program to be categorized into one of the following overall feasibility categories: (a) very desirable, (b) moderately desirable, (c) marginally desirable, or (d) not worthwhile.

Note that the table is structured so that a high rating on any factor will not conclusively decide in favor of the program, but a low rating on any factor could eliminate the program from consideration. For example, *Exhibit III* shows that while the job enrichment proposal was rated "high" on three of the four individual feasibility characteristics, the single "low" rating (for ease of implementation) resulted in an overall feasibility assessment of only moderately desirable.

When all programs have been classified in the foregoing manner, they are ranked on the Program Priorities Schedule shown in *Exhibit IV*. The legally required programs appear at the top of the schedule. All other programs are ranked, within the appropriate overall feasibility category, according to their economic benefits. (Note that the job enrichment program is ranked third after the legally required programs.) Those programs evaluated as "not worthwhile" appear at the bottom of the schedule—for elimination. And, if management limits the budget or mandates an austerity program, other programs can be cut, starting with those of lowest priority.

The Program Priorities Schedule has become our basic tool for allocating and deploying staff resources. But to use it effectively, management must undertake these actions:

*Trim marginal programs.* This is often difficult for management to do since it may involve cutting some sacred cows (e.g., the executive jet or weekend retreats). But the fact remains that eliminating marginal programs is one key



## Exhibit III. Decision table for determining program feasibility

## Step 1. Evaluate feasibility and economic benefits/risks.

Using predefined standards, separately evaluate each program's state-of-the-art implications, ease of implementation, net economic benefits, and economic risks of not acting. The Service Force Job Enrichment Program was evaluated (see Exhibit I) as follows:

State of the art - High  
Ease of implementation - Low  
Net economic benefits - High  
Economic risks - High

## Step 2. Compare technical (state-of-the-art) with operational (ease-of-implementation) feasibility.

| State of the art | Ease of implementation |                      |                      |
|------------------|------------------------|----------------------|----------------------|
|                  | HIGH                   | MEDIUM               | LOW                  |
| HIGH             | Very desirable         | Very desirable       | Marginally desirable |
| MEDIUM           | Very desirable         | Moderately desirable | Marginally desirable |
| LOW              | Marginally desirable   | Marginally desirable | Not worthwhile       |

1. The "high" state-of-the-art evaluation... is matched against "low" ease of implementation.

## Step 3. Compare Step 2 evaluation with net economic benefits.

| Step 2 evaluation    | Net economic benefits |                      |                      |
|----------------------|-----------------------|----------------------|----------------------|
|                      | HIGH                  | MEDIUM               | LOW                  |
| Very desirable       | Very desirable        | Moderately desirable | Marginally desirable |
| Moderately desirable | Very desirable        | Moderately desirable | Marginally desirable |
| Marginally desirable | Marginally desirable  | Marginally desirable | Not worthwhile       |

2. Results of this evaluation are compared to "high" net economic benefits.

## Step 4. Compare Step 3 evaluation with economic risks to determine overall feasibility.

| Step 3 evaluation    | Economic risks       |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
|                      | HIGH                 | MEDIUM               | LOW                  |
| Very desirable       | Very desirable       | Moderately desirable | Moderately desirable |
| Moderately desirable | Moderately desirable | Moderately desirable | Marginally desirable |
| Marginally desirable | Moderately desirable | Marginally desirable | Not worthwhile       |

3. Results of this evaluation are matched against "high" risks...

4. ... to determine overall feasibility category of "moderately desirable."

## Exhibit IV. Program priorities schedule

| ACTION PROGRAM  |  | Priority                            | Timing |      |      |      |      |      | Net annual dollar benefit | Cost/benefit ratio (1:n) |      |
|---|--|-------------------------------------|--------|------|------|------|------|------|---------------------------|--------------------------|------|
|   |  |                                     | 1972   | 1973 | 1974 | 1975 | 1976 | 1977 |                           |                          |      |
| LEGALLY REQUIRED PROGRAMS   |  |                                     |        |      |      |      |      |      |                           |                          |      |
| 1. Legally required efforts come first...                                 | Labor Relations Strategy   | x                                   |        |      |      |      |      |      | (\$ 619)                  | n/a                      |      |
|   | Protect Right to Select Employees  | x                                   |        |      |      |      |      |      | (\$ 86)                   | n/a                      |      |
|   | Continue Validation of Selection Tests   | x                                   |        |      |      |      |      |      | \$35,000                  | 78.17                    |      |
| 2. ... then, other programs are ranked by overall feasibility category... | Redesign Personnel Data System   | x                                   |        |      |      |      |      |      | \$ 273                    | 1.78                     |      |
|   | Develop Part-Time Female Employment Approaches   | x                                   |        |      |      |      |      |      | \$ 227                    | 4.16                     |      |
| VERY DESIRABLE PROGRAMS   |  |                                     |        |      |      |      |      |      |                           |                          |      |
| 3. ... and within feasibility category by net benefits.                   | Restructuring Service Force  | 1                                   |        |      |      |      |      |      | \$14,608                  | 9.6                      |      |
|   | Service College Coop Program   | 2                                   |        |      |      |      |      |      | \$ 4,490                  | 2.74                     |      |
| MODERATELY DESIRABLE PROGRAMS   |  |                                     |        |      |      |      |      |      |                           |                          |      |
| 4. Priorities are indicated here.   | Service Job Enrichment   | 3                                   |        |      |      |      |      |      | \$ 9,920                  | 24.3                     |      |
|   | Assessment Center  | 4                                   |        |      |      |      |      |      | \$ 4,946                  | 15.40                    |      |
|   | Education & Training Center  | 5                                   |        |      |      |      |      |      | \$ 4,780                  | 3.57                     |      |
|   | Clerical Selection Program   | 6                                   |        |      |      |      |      |      | \$ 1,799                  | 19.94                    |      |
|   | Develop College Campus as Primary Employment Source  | 7                                   |        |      |      |      |      |      | \$ 834                    | 2.06                     |      |
|   | Interfunctional Moves & Fast Track Program   | 8                                   |        |      |      |      |      |      | \$ 679                    | 7.54                     |      |
|   | Selection Standards for New Sales/Tech. Rep. Types   | 9                                   |        |      |      |      |      |      | \$ 520                    | 11.6                     |      |
|   | Improve Economics of Field Employment Operations   | 10                                  |        |      |      |      |      |      | \$ 472                    | 1.42                     |      |
|   | Build Better Technical Recruiting/Selection Capability   | 11                                  |        |      |      |      |      |      | \$ 222                    | 2.48                     |      |
|   | Monitor Sales & Tech. Rep. Selection Tests   | 12                                  |        |      |      |      |      |      | \$ 211                    | 9.05                     |      |
|   | MARGINAL BUT DESIRABLE PROGRAMS  |                                     |        |      |      |      |      |      |                           |                          |      |
|   | 5. Starting from the lowest priority program, marginal efforts may be trimmed as required by the budget. | Implement Executive Search Function | 13     |      |      |      |      |      |                           | \$ 177                   | 1.67 |
| Refine Career Path Guides   |  | 14                                  |        |      |      |      |      |      | \$ 110                    | 1.75                     |      |
| Continue National Trend Attitude Surveys                                  |  | 15                                  |        |      |      |      |      |      | \$ 107                    | 1.33                     |      |
| Reevaluate Overall Organization Approach                                  |  | 16                                  |        |      |      |      |      |      | \$ 93                     | 2.37                     |      |
| NOT WORTHWHILE  |  |                                     |        |      |      |      |      |      |                           |                          |      |
| 6. In any case, these programs are eliminated.                            | Executive Retreat  | x                                   |        |      |      |      |      |      | (\$ 450)                  | n/a                      |      |
|   | Corporate Jet  | x                                   |        |      |      |      |      |      | (\$ 769)                  | n/a                      |      |
|   | Savings Plan   | x                                   |        |      |      |      |      |      | (\$ 75)                   | n/a                      |      |

||||| Program and design development

■ Program Implementation

||||| Program and design development  
 ■ Program Implementation

way of achieving the primary objective of business-profitable operations.

*Allocate and deploy staff resources toward the most worthwhile projects.* Timely program implementation requires that staff resources be deployed only toward the higher-ranked projects. For some programs, staff members might be transferred from areas that have been trimmed; for other programs, particularly in highly technical areas, new people might have to be hired. Furthermore, additional resources might be allocated to worthwhile projects in order to speed up their implementation date. In our job enrichment program, for example, we were able to identify some highly favorable benefits. But with only one man assigned to the program, achieving them would have taken four years. Because of the ranking of this project and its potential payoff, we were able to justify additional resources to ensure earlier results.

*Evaluate all new program proposals and re-order priorities as necessary.* To be successful, the evaluation procedure must be viewed as dynamic and ongoing. As new proposals are developed, they must be evaluated and ranked, then accepted or rejected by the same standards applied to all other efforts. Thus priorities may be changed, and staff resources may be redeployed, as circumstances warrant.

*Reevaluate existing programs.* Program priorities must be changed not only to accommodate new programs but also to reflect alterations of existing programs. For example, the appointment of a new key executive in an operating department may alter the ease-of-implementation evaluation of a particular program. Similarly, the personnel staff may achieve a key breakthrough that raises the state-of-the-art evaluation. In short, any of a number of events could trigger a chain reaction of reordered priorities by altering the feasibility evaluation on one aspect of a given program.

*Monitor progress.* The execution of each pro-

gram must be carefully monitored to identify bottlenecks as they develop, chart alternatives where necessary, and ensure timely implementation and achievement of planned benefits. This task should be the permanent and ongoing responsibility of a personnel program manager or a manpower planning manager.

## Conclusion

The framework for evaluating and ranking personnel programs has enabled us to allocate resources to those programs that should significantly improve productivity and profit performance. (A brief review of the benefits column in *Exhibit IV* underscores the magnitude of this improvement potential.) One of the key advantages of this framework is the discipline it instills in the personnel staff. It encourages staff members to rigorously assess their programs' benefits and to evaluate the likelihood of achieving them. The procedure is by no means perfect, but I doubt that an optimal approach will ever be developed—particularly for staff projects. However, it does provide personnel management with a simple and systematic way to allocate resources in an area where good intentions, hunches, and poor information have cost many companies heavily in lost opportunities.

Quite conceivably, the same concepts may be applied to other functional areas in future years. But whether or not that happens, I believe the approach I have described can be implemented now in the personnel operations of many organizations, particularly the larger ones. This approach would permit organizations to move away from "gut-feel" techniques and the intrigue and politics too often characteristic of budgeting and resource-allocation decisions. In a more positive vein, it can guide management to the gains in profit and productivity that come from personnel programs targeted on results.

He is no wise man that will quit a certainty for an uncertainty.

Samuel Johnson, 1709-1784  
*The Idler*

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